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#### (PRE-FILED)

By: Delegate Brown

Requested: September 22, 2000

Introduced and read first time: January 10, 2001

Assigned to: Economic Matters

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### A BILL ENTITLED

1	AN ACT	concerning	
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### 2 Life Insurance - Insurable Interest in Adopted Child

- 3 FOR the purpose of clarifying that an insurable interest in the life of a prospective
- 4 adoptive child exists for the prospective parent of the child as of a certain date;
- 5 and generally relating to insurable interests in adopted children under life
- 6 insurance.
- 7 BY repealing and reenacting, with amendments,
- 8 Article Insurance
- 9 Section 12-201
- 10 Annotated Code of Maryland
- 11 (1997 Volume and 2000 Supplement)
- 12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
- 13 MARYLAND, That the Laws of Maryland read as follows:

### 14 Article - Insurance

- 15 12-201.
- 16 (a) (1) An individual of competent legal capacity may procure or effect an
- 17 insurance contract on the individual's own life or body for the benefit of any person.
- 18 (2) Except as provided in subsection (c) of this section, a person may not
- 19 procure or cause to be procured an insurance contract on the life or body of another
- 20 individual unless the benefits under the insurance contract are payable to:
- 21 (i) the individual insured;
- 22 (ii) the individual insured's personal representative; or
- 23 (iii) a person with an insurable interest in the individual insured at
- 24 the time the insurance contract was made.

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1 2	(b) (1) With reonly the interests described in		o personal insurance, an insurable interest includes ection.				
3 4	(2) (I) interest engendered by love as		ividuals related closely by blood or law, a substantial on is an insurable interest.				
	(II) FOR THE PROSPECTIVE PARENT OF A PROSPECTIVE ADOPTIVE HILD, AN INSURABLE INTEREST EXISTS IN THE LIFE OF THE CHILD AS OF THE DATE F THE EARLIER OF:						
8		1.	A JUDICIAL DECREE OF ADOPTION; OR				
9 10	THE PROSPECTIVE ADOP	2. TIVE CH	THE ASSUMPTION OF CUSTODY, PENDING ADOPTION, OF HILD BY THE PROSPECTIVE ADOPTIVE PARENT.				
13 14	(3) For persons other than individuals closely related by blood or law, a lawful and substantial economic interest in the continuation of the life, health, or bodily safety of the individual is an insurable interest but an interest that arises only by, or would be enhanced in value by, the death, disablement, or injury of the individual is not an insurable interest.						
	(4) (i) This paragraph applies only to employees with respect to whom the corporate employer or an employer sponsored trust for the benefits of employees is the beneficiary under an insurance contract, if the employer is:						
19		1.	a private corporation; or				
	2. a public corporation, the stock of which is traded on a recognized stock exchange or traded in accordance with the National Association of Securities Dealers Automated Quotation (NASDAQ) Systems.						
23	(ii)	A lawfu	al and substantial economic interest exists in:				
24 25	corporation described in subp	1. paragraph	a key employee of a private corporation or a public (i) of this paragraph; and				
26 27	subparagraph (i) of this parag	2. graph if:	a nonkey employee of a public corporation described in				
	for at least 12 consecutive meand	A. onths and	the employee has been employed by the public corporation consents in writing to the insurance contract;				
31 32	does not exceed an amount c	B. ommensu	the amount of insurance coverage on the nonkey employee rate with employer-provided benefits.				
33 34	(5) (i) purchase or sale of:	This pa	ragraph applies only to a contract or option for the				
35		1.	an interest in a business partnership or firm; or				

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1 2	corporation.	2.	stock shares, or an interest in stock shares, of a close		
	(ii) An individual party to a contract or option described in subparagraph (i) of this paragraph has an insurable interest in the life of each individual party to the contract or option.				
6 7	(iii) paragraph:	The insu	urable interest specified in subparagraph (ii) of this		
8		1.	is only for the purposes of the contract or option; and		
9 10	exist on the life of an individua	2. al party t	is in addition to any other insurable interest that may o the contract or option.		
13 14	(c) (1) This subsection applies only to a charitable, benevolent, educational, governmental, or religious institution that is described in $\S$ 170(b)(1)(A) or $\S$ 501(c)(3) of the Internal Revenue Code, or a trust for the benefit of that institution that is qualified as a pooled income fund under $\S$ 642(c)(5) or a charitable remainder trust under $\S$ 664 of the Internal Revenue Code.				
16 17			trust described in paragraph (1) of this subsection insurance policy on the life of an individual if:		
18 19	(i) beneficiary of the insurance po		tution or trust is designated irrevocably as the		
20 21	(ii) individual whose life is to be i		ication for the insurance policy is signed by the r the individual's legal guardian.		
22 23			loes not prohibit the institution or individual from olicy or paying the premiums for the policy.		
26 27	(d) If a beneficiary, assignee, or other payee under an insurance contract made in violation of this section receives from the insurer benefits that accrue on the insured's death, disablement, or injury, the insured or the insured's executor or administrator may bring an action to recover benefits from the payee that receives them.				
31	(e) Notwithstanding subsection (b)(4) of this section, a corporate employer with an insurable interest in employees described in subsection (b)(3) or (4) of this section may not retaliate against an employee who refuses to consent to an insurance contract being purchased in the employee's name.				
33 34	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2001.				